

**FRANCHISE TAX BOARD
MINUTES
JUNE 10, 2004**

The Franchise Tax Board was called to order at 1:35 p.m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, California. Present were Hon. Steve Westly, Chair, and Betty T. Yee, representing Hon. Carole Migden. Hon. Donna Arduin arrived during consideration of Agenda Item 2.

Franchise Tax Board

Staff Participating: Gerald H. Goldberg, John W. Davies, Donald L. Buxton, Brian Putler, Frank Lanza, David Maxwell-Jolly, Ben Miller, Phil Spielberg, Titus Toyama, Craig Swieso, Patrick Kusiak, and Claudette Romo.

Others Participating: Tom Diebert, NetFile; Dave Doerr, California Taxpayers' Association; Richard Harris, Attorney at Law; Vicki Mulak, American Financial and Tax, representing the California Society of Enrolled Agents; Craig Page, California Land Title Association; and Gina Rodriguez, Spidell Publishing, Inc.

Item 1. - Approval of Board Minutes

The minutes of the February 25, 2004, Franchise Tax Board meeting were unanimously approved (2-0).

Item 2. – Measures to Close the Tax Gap Arising from the Underground Economy

a. Administrative measures - Board action.

The Board voted unanimously (3-0) to authorize staff to proceed with the proposals for the various programs identified to bring in revenue. The Board also voted unanimously (3-0) to authorize staff to prepare Budget Change Proposals (BCPs) for the next meeting.

b. Legislative proposals – Board action.

The Board voted as follows with respect to directing staff to develop the identified legislative proposals:

Subitem 1 – Additional real estate escrow information reporting – The Board voted unanimously (3-0) to direct staff to work with industry to further develop the legislative proposal.

Subitem 2 – Enhanced reward program – The Board voted 2-1 (Ms. Arduin voting no) to direct staff to develop the legislative proposal.

Subitem 3 – Tax representative suspension/disbarment – The Board voted unanimously (3-0) to direct staff to develop the legislative proposal to conform California's provisions to IRS's provisions.

The Board heard from the following persons in connection with this item:

Dave Doerr, California Taxpayers' Association, with respect to subitems b.1 and b.2.

Gina Rodriguez, Spidell Publishing, Inc., with respect to subitem b.1.

Craig Page, California Land Title Association, with respect to subitem b.1.

Item 3. Legislative Matters

The Board voted 2-0 (Ms. Arduin abstaining) to support the following bills:

AB 2203	SB 1162
AB 2952	SB 1713
SB 615	

The Board also voted 2-0 (Ms. Arduin abstaining) to adopt staff's recommended positions on the following bills:

AB 263	Support if amended	AB 2480	Neutral
AB 480	Neutral	AB 2722	Neutral
AB 1073	Neutral	AB 2868	Neutral
AB 2106	Neutral	AB 2886	Neutral
AB 2398	Neutral	SB 1534	Oppose

The Board took no position on the following bills:

AB 1799	AB 2346
AB 1859	SB 246
AB 1928	SB 1689

The Board heard from the following persons in connection with this item:

Dave Doerr, California Taxpayers' Association, with respect to AB 2203.

Vicki Mulak, American Financial and Tax, on behalf of the California Society of Enrolled Agents, with respect to AB 2203.

Gina Rodriguez, Spidell Publishing, Inc., with respect to AB 2203.

Item 4. – NetFile Name Change

The Board voted unanimously (3-0) to approve the name change of FTB's NetFile program to the CalFile program.

The Board heard from the following person in connection with this item:

Tom Diebert, NetFile

Item 5. – Regulation Matters

- a. Draft Regulation 25120 was withdrawn from the agenda.
- b. Draft Regulation 25110 – Water's-Edge Election Group – Request for authorization to proceed.

The Board voted unanimously (3-0) to approve staff's request to proceed.

- c. Draft Regulation 25106.5-11 – Combined Report – Single Return – Request for authorization to proceed.

The Board voted unanimously (3-0) to approve staff's request to proceed.

Item 6. – Child Support

David Maxwell-Jolly gave an update on the Child Support Automation System.

[Chair Westly left the meeting and was represented by Deputy Controller Marcy Jo Mandel thereafter.]

Item 7. – Administrative Matters

- a. Contracts Exceeding \$1 million – Board Approval.

- 1. Media Advertisement Services

The Board voted unanimously (3-0) to approve this contract.

- 2. Phase III Move Contract

The Board voted unanimously (3-0) to approve this contract.

- 3. Roll Paper Contract

The Board voted unanimously (3-0) to approve this contract.

- 4. Nevada Legal Services

The Board voted unanimously (3-0) to approve this contract.

The Board heard from the following person in connection with this item:

Richard Harris, Attorney at Law, with respect to subitem a.4.

b. May Revise Issues – Staff report.

The Board received a report from staff on items approved by the legislative budget subcommittees in connection with the May Revise. These items consisted of additional funding for litigation costs and of additional funding and positions for combating abusive tax shelters and administering a tax amnesty program.

c. Legislative Budget Issues – Staff report.

The Board received a report from staff regarding legislative issues impacting the budget for next year that had been brought forward by LAO and others. These issues included consolidation of District Offices, charging fees for certain services, additional auditing resources, and withholding on income paid to independent contractors.

The Board heard from the following person in connection with this item:

Vicki Mulak, American Financial and Tax, on behalf of the California Society of Enrolled Agents, with respect to fees for services and a possible report to the Legislature addressing implementation issues associated with withholding on income paid to independent contractors.

Item 8. – Executive Officer's Time

There was no discussion under this Agenda item.

Item 9. – Board Members' Time

There was no discussion under this Agenda item.

Ms. Mandel announced the agenda for the Closed Session pursuant to Government Code section 11126.3.

The meeting was adjourned at 3:03 p.m.

Board Secretary

Date